

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK

In re: Dowling College

Case No. 16-75545 (REG)  
Reporting Period: 9/1/17 to 9/30/17

## MONTHLY OPERATING REPORT

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit / Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X		
Schedule of Professional Fees Paid	MOR-1b	X		
Copies of bank statements			Available upon request	
Cash disbursements journals			Available upon request	
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Post-petition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Post-petition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X		

See accompanying notes on following page.

**Note:**

The financial information provided in this Monthly Operating Report ("MOR") is provided based on the best information available, the source of which is unaudited and untested. If the books and records were audited or tested further, the information provided may differ from that presented in this MOR, possibly by material amounts.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Signature of Authorized Individual\*

Date

Robert S. Rosenfeld

Printed Name of Authorized Individual

Chief Restructuring Officer

Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK**

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**In re:**

**Chapter 11**

**DOWLING COLLEGE**

**Case No. 16-75545 (REG)**

**Debtor.**

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**GLOBAL NOTES REGARDING  
DEBTOR'S MONTHLY OPERATING REPORT**

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in this chapter 11 case and is in a format acceptable to the United States Trustee. The financial information contained in the MOR is preliminary and unaudited, and as such may be subject to revision. The information in the MOR should not be viewed as indicative of future results.

The accompanying Preliminary Unaudited Financial Statements of Dowling College have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America using information from the Debtor's accounting sub ledger and general ledger systems.

While Debtor's management has made reasonable efforts to ensure that the MOR is accurate and complete, based upon information that was available to them at the time of preparation, subsequent information may result in material changes to the MOR. Moreover, because the MOR contains unaudited information, which is subject to further review and potential adjustment, there can be no assurance that this MOR is complete. The Debtor reserves all rights to amend the MOR from time to time, in all respects, as may be necessary or appropriate. These global notes regarding the Debtor's MOR ("Global Notes") comprise an integral part of the MOR and should be referred to and considered in connection with any review of the MOR.

**Specific Notes.**

Endowment Funds. Temporarily restricted net assets consist of various donor-restricted amounts for academic programs, scholarships, and revenue for future periods (i.e., contributions receivable and accumulated gains on endowment funds). Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships. Dowling's endowment consists of approximately 55 individual funds established for a variety of purposes, including donor-restricted endowment funds. Dowling's management and investment of donor-restricted endowment funds is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board of trustees of Dowling, Dowling has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund, as Dowling deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Dowling records the remaining portion of the donor-restricted endowment fund that is not permanently restricted, as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Levied Bank Accounts. Prior to the Petition Date, the Debtor's funds on deposit at TD Bank, NA (approximately \$506,000) that were included in 4 separate bank accounts were removed from the accounts and placed in separate holding accounts by TD Bank, NA in accordance with its internal procedures and following receipt of certain Restraining Notices served pursuant to NY CPLR Section 5222(b) filed by certain prepetition judgment creditors. Included in these restrained funds may have been certain restricted funds. Consistent with the Final Cash Management Order referred to above, the Debtor is in the process of evaluating the restrictions on these funds. The Debtor transferred these funds to four new DIP accounts maintained at Signature Bank in the same amounts and titles of the accounts that were maintained at TD Bank.

### **Sale of Assets:**

*Sale of Oakdale Campus and related contents* On the Petition Date, the Debtor filed a motion requesting the entry of, among other things, bidding procedures and bidder protections for the sale of the Oakdale Campus (the "Sale Motion") [DE 13]. On December 16, 2016, the Court entered an order approving, in part, the Sale Motion (the "Bidding Procedures Order") [DE 111], which approved, among other things, bidding procedures for the sale of the Oakdale Campus (the "Bidding Procedures").

The Debtor conducted an auction (the "Auction") on April 4, 2017 pursuant to the Bidding Procedures Order. The Auction was resulted in a high bid of \$26,500,000 by Princeton Education Center LLC ("Princeton"). The second highest bid was \$26,100,000, submitted by NCF Capital Limited ("NCF"). On April 6, 2017, the Debtor, after extensive consideration by and consultation with representatives of the Creditors' Committee and the DIP Lenders, determined to close the Auction formally and designated Princeton to be the Successful Bidder and NCF to be the Backup Bidder, subject to confirmation by the Board of Trustees of Dowling College (the "Board").

After the Auction, in accordance with the Bidding Procedures, Princeton increased the deposit being held by the Debtor such that it equaled 5% of the Princeton Purchase Price. Debtor's counsel held \$1,325,000.00 in its escrow account on account of Princeton's deposit (the "Princeton Deposit"). On April 10, 2017, the Court held a hearing to consider the Sale Motion and on April 12, 2017 the Court entered an order approving the sale of the Oakdale Campus free and clear of all liens, claims, encumbrance and other interests to Princeton pursuant to the Princeton APA (the "Sale Order") [DE 285].

The Princeton Asset Purchase Agreement ("Princeton APA") expressly provided that the closing shall take place within thirty (30) days after satisfaction or waiver of all conditions to the obligations of the Debtor and Princeton, time being of the essence. The deadline to close the contemplated sale transaction (the "Princeton Sale") was May 26, 2017. By letter dated May 26,

2017, Princeton's counsel requested an extension of the closing date by three (3) weeks to June 16, 2017 in order to assemble the funding necessary to consummate the Princeton Sale (the "Extension Request Letter"). In response to the Extension Request Letter, by letter dated May 26, 2017 for delivery on May 30, 2017, the Debtor, in consultation with the Creditors' Committee and the DIP Lenders, notified Princeton of its breach of the Princeton APA (the "Breach Notice"). The Breach Notice informed Princeton that (i) the Debtor intended to terminate the Princeton APA if the Princeton Sale did not close within fifteen (15) business days, as provided for in Section 12.1(c)(ii) of the Princeton APA and (ii) if the Princeton APA is terminated then the Debtor would retain the Princeton Deposit as liquidated damages, as provided for in Section 3.2 of the Princeton APA and the Bidding Procedures Order. Therefore, the deadline for Princeton to close the Princeton Sale was June 20, 2017 (the "Termination Date").

On June 19, 2017, Princeton notified the Debtor that the closing would not occur on June 20, 2017 because it did not have the funds necessary to close the Princeton Sale. Princeton failed to close the Princeton Sale by 12:59 p.m. on the Termination Date. Thereafter, by letter dated June 21, 2017, due to Princeton's failure to close the Princeton Sale, the Debtor, in consultation with the Creditors' Committee and the DIP Lenders, terminated the Princeton APA (the "Termination Letter"). As result of Princeton's breach and subsequent termination, pursuant to the terms of the Princeton APA the Debtor was authorized to retain the Princeton deposit of \$1,325,000. These funds were transferred from the Debtor's counsel's escrow account to the Debtor's cash accounts during July 2017. Pursuant to the DIP financing Order, during August 2017, these funds were subsequently transferred to UMB, as Trustee for the post petition DIP lenders as a Mandatory Prepayment.

### Back-up Bidder

The Bidding Procedures Order provided that if Princeton, as the Successful Bidder failed to consummate the Princeton Sale, then NCF, as the Backup Bidder, was automatically deemed to have submitted the highest or otherwise best bid. By letter dated June 21, 2017, due to Princeton's failure to close the Princeton Sale, the Debtor, in consultation with the Creditors' Committee and the DIP Lenders, determined to proceed with NCF as the Backup Bidder and notified NCF that it had been deemed the Successful Bidder in accordance with the Bidding Procedures Order (the "NCF Letter"). On July 14, 2017, the Court entered a Supplemental Sale Order (i) establishing Mercury International, LLC<sup>1</sup>, as assignee of NCF Capital Limited as the Successful Bidder and (ii) authorizing the Debtor to enter into and perform under the NCF APA. The Debtor's counsel is currently holding, in escrow, a deposit in the amount of \$1,305,000 (the "Deposit") from NCF relating to the NCF Asset Purchase Agreement. Pursuant to Order of the Court, in addition to the real estate, the Debtor agreed to sell the furniture and equipment located at the Oakdale Campus to NCF for \$90,000.

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<sup>1</sup> On July 12, 2017, NCF gave the Debtor notice that it had assigned all of its rights and obligations in and to the NCF APA, including, but not limited to, the Deposit (as defined in the NCF APA), to Mercury International, LLC, a Delaware limited liability company, pursuant to section 14.5 of the NCF APA.

Closing of Sale of Oakdale Campus

On August 21, 2017, the Debtor closed on the sale of the Oakdale Campus and the furniture and equipment to NCF. In connection with the closing, it was agreed that NCF would hold \$75,000 in escrow related to potential repairs that may be required to one of the buildings located on the Oakdale Campus. The Debtor and NCF are in the process of evaluating the actual costs required to complete such repairs. After considering closing costs related to brokers' commissions and title fees (totaling approximately \$1,057,000), the net proceeds received by the Debtor at closing was \$25,058,000 related to the real estate and furniture and equipment. Subsequent to the receipt of the proceeds from this sale transaction, the Debtor filed a motion with the Court to approve the remittance of available net proceeds from the sale of the Oakdale Campus to the DIP Agent [DE 394]. The Order provides for the Debtor to pay \$20,000,000 from the net proceeds received to pay down certain portions of the outstanding DIP Financing balances and related prepetition Debt in order to reduce the interest charges to the Estate. The Debtor's motion was entered on approved by the Court at a hearing on September 27, 2017. Subsequently, \$20 million from this sale was paid to the secured lender and the balance of the net proceeds from this sale is being maintained by the Debtor in a segregated account.

Following is a summary of the reporting of these transactions included herein:

	<b>Oakdale Campus</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
Proceeds Received	\$ 26,100,000	\$ 90,000	\$ 26,190,000
<u>Closing Costs:</u>			
Commissions	1,044,000		1,044,000
Title Fees	12,600		12,600
total closing Costs	1,056,600	-	1,056,600
Gain reported on transaction	25,043,400	90,000	25,133,400
Escrow for building repairs	75,000	-	75,000
Net Proceeds received	<u>\$ 24,968,400</u>	<u>\$ 90,000</u>	<u>\$ 25,058,400</u>

Sale of Residential Properties. Pursuant to Court Order, during December 2016, January 2017, April 2017, May 2017, June 2017, August 2017, and September 2017 the Debtor sold 18 residential properties located near the Oakdale, Long Island Campus. In accordance with the Court Order, the net proceeds (after closing costs and realtor commissions relating to these sales) were paid directly to the secured lender that held the lien on these properties. Pursuant to a settlement agreement between the creditors, during September 2017, \$200,000 of the net proceeds received from the September sales were paid to the Debtor and such funds were deposited in a reserve account by the Debtor.

Following is a summary of the funds relating to these sales:

**Dowling College  
Sale of Residences  
Summary Closings to Date**

	Month Closed	# of sales	Total Sales Price	Net Buyer/(Seller) Credits	Broker Commission	Real Estate Tax Credit Seller	Rent Owed	Proceeds Pd to Dowling at Closing	Paid to Secured Lender
2016	December	5	1,594,500	25,919	63,060	-	10,931		1,516,452
2017	January	3	1,143,000	12,681	37,010	6,504	12,915		1,112,728
2017	April	1	610,000	5,058	24,400	-	-		580,542
2017	May	1	394,000	-	15,760	424	-		378,664
2017	June	4	1,330,500	(295)	53,220	13,106			1,290,682
2017	August	1	320,000	500	13,800				305,700
2017	September	3	1,153,500	(1,834)	46,160	4,224	-	200,000	913,398
Total		18	6,545,500	42,028	253,410	24,259	23,846	200,000	6,098,166

*Sale of vacant land.* In connection with the residential property closed in August 2017, the Debtor sold its interest in an adjoining plot of vacant land to the same buyer of this residential property. The Debtor received \$25,000 from the buyer and has maintained these funds in one of the Debtors DIP accounts.

*Sale of IP Addresses.* On July 25, 2017, the Debtor sold its interest in over 65,000 IP addresses in the amount of \$851,968. In connection with the sale of these IP addresses, the Debtor was required to pay a commission to its retained agent in the amount of \$51,118.08.

The sale was subject to approval and transfer procedures required by the American Registry for Internet Numbers (“ARIN”). The proceeds have been held in escrow until the transfer was approved by ARIN. On September 6, 2017, the transfer was completed and the funds were deposited into the Debtor’s DIP account. The net amount of funds received by the Debtor, after payment of the aforementioned commission was \$800,849.92.

*Note on recognition of gains and losses for sales of Debtor’s assets.* The Debtor is in the process of determining net book values for the respective sale of individual assets. For purposes of this Monthly Operating Report, the Debtor has reflected the gain amounts entirely based on the

proceeds received and disbursements paid relating to the transactions. As a result, actual gains and losses that consider net book values for each asset sold, that would be reported under Generally Accepted Accounting Principles, may differ from the amounts reported on these interim financial statements. As information becomes available, the Debtor may adjust the gain and loss result as needed.

Self-Insured Medical and Dental benefit plan. The Debtor maintained self-insured employee medical and dental benefit plans (the “Health Plans”). Under the provisions of the Health Plans, two third party administrators, CIGNA and Health Plex, provided claims processing and administrative functions, for the Medical and Dental coverage, respectively. Upon the closing of the Debtor’s operations in June 2016, this Health Plan was terminated. The U.S. Department of Labor is in the process of evaluating the outstanding unpaid claims under these Health Plans. As of the Petition Date, the Debtor was unable to quantify the total amount of claims to be potentially asserted in relation to the termination of the Health Plans due to, among other reasons, the fact that many claims may be unqualified for coverage or disallowed under the Health Plan. In addition, the Debtor’s, former third party administrators (“TPA’s”) of the Health Plans have stated that they will not agree to process the associated claims. Finally, the Debtor is presently unable to determine which parties actually hold the claims for monetary loss associated with the Health Plans termination, if any. Until further analysis can be performed, the Debtor has disclosed this issue herein, without quantification of the amounts due.

#### Student Receivables

The Debtor continues to evaluate the collectability of its receivables due from former students of the College. The Debtor’s balance sheet may not reflect the ultimate realization experience of such receivable balances. The Debtor continues to explore ways to maximize value of these receivables.

#### Pending Litigation

The Debtor is subject to lawsuits and claims that arise out of its operations in the normal course of business. The Debtor is a defendant in various litigation matters, some of which involve claims for damages that are substantial in amount. The Debtor believes it has meritorious defenses to the claims made and intends to contest the claims vigorously. Currently, the Debtor is unable to express an opinion as to the likely outcome of this litigation; therefore, as required by authoritative accounting guidance, no liabilities are reflected in the accompanying unaudited financial statements related to these claims. An unfavorable outcome could have a materially adverse effect on the Debtor’s financial position and results of operations.

In re: Dowling College  
Schedule of Cash Receipts and Disbursements

MOR-1  
CASE NO. 16-75545 (REG)  
REPORTING PERIOD: SEPTEMBER 30, 2017

	BANK ACCOUNTS											
	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	Signature-Flex Spending Acct- 3912 (1)	Signature - Student Activity Acct - 3947 (1)	Signature-Sewage Treatment Replacement Acct - 3920 (1)	Signature-Sewage Treatment Reserve Acct - 3939 (1)	Signature-Real Estate Proceeds Account - 3826	Signature-Class II 2006 Bonds Reserve - 5093	Signature - Class IV 2015 Bonds Reserve - 5107
<b>CASH BEGINNING OF PERIOD</b>	\$ 24,139	\$ 136,391	\$ 16,112	\$ 4,843	\$ 134,016	\$ 16,157	\$ 368,199	\$ 60,516	\$ 60,560	\$ 25,084,949	\$ -	\$ -
<b>RECEIPTS</b>												
Cash Receipts	\$ 28,954			\$ 13,305	\$ 12,985							
Interest Income										\$ 4,124		\$ 3
Perkins Loan Repayments and charges												
Net Transfers From/(To) Accounts	798,799	(221,229)	(21,248)	(33,425)	(522,898)					-		
DIP Funding		104,721	25,479	23,892	570,842							
Proceeds from sale of real estate												200,000
Proceeds from sale of other assets	800,850											
Receipt/return of security deposits from tenants												
Voided checks												
Other												
<b>Total Receipts</b>	<b>\$ 1,628,603</b>	<b>\$ (116,508)</b>	<b>\$ 4,231</b>	<b>\$ 3,772</b>	<b>\$ 60,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,124</b>	<b>\$ -</b>	<b>\$ 200,003</b>
<b>DISBURSEMENTS</b>												
Payroll & Benefits	45,458											
Telephone and cable	10,365											
Outside Services	2,315											
Landscaping & Snow Removal	8,940											
Utilities	51,353											
Security	31,835											
Fire & Safety	10,503											
Repairs & Maintenance	23,320											
Insurance	-											
Chemical Removal												
Waste Removal	3,540											
Sewage Treatment	2,621											
Property Taxes												
Permits & licenses												
Payroll Processing	181											
Union Benefits	378											
Computer expense	5,734											
Office Supplies	-											
Finance Fees	-				-							
Debt Paydowns	-											
Retained Professionals	293,309											
Claims Noticing Agent	3,674											
Interim Management-CRO	138,520											
Bank Charges												
Moving, Storage and destruction costs	127,192											
Other	4,385											
Return of Tenant security deposits												
Receivable collection costs												
Real estate cost of sales	-											
Litigation	7,500											
US Trustee Fees												
Other Bankruptcy Related Charges												
<b>Total Disbursements</b>	<b>\$ 771,124</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Cash Flow</b>	<b>\$ 857,479</b>	<b>\$ (116,508)</b>	<b>\$ 4,231</b>	<b>\$ 3,772</b>	<b>\$ 60,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,124</b>	<b>\$ -</b>	<b>\$ 200,003</b>
<b>Cash - End Of Period<sup>(4)</sup></b>	<b>\$ 881,618</b>	<b>\$ 19,883</b>	<b>\$ 20,343</b>	<b>\$ 8,616</b>	<b>\$ 194,946</b>	<b>\$ 16,157</b>	<b>\$ 368,199</b>	<b>\$ 60,516</b>	<b>\$ 60,560</b>	<b>\$ 25,089,073</b>	<b>\$ -</b>	<b>\$ 200,003</b>

(3) Pursuant to Court Order, proceeds from the sale of the Debtor's residential real estate located in Oakdale, NY were paid directly to the secured lender that held the liens on these properties.

Since the funds were paid directly to the lender and third parties, no funds related to these transactions flowed through the Debtor's bank accounts.

(4) Bank account relates to Perkins Title IV loan proceeds, repayments, and other charges to students relating to federal loan funding. Student loan repayment activity is managed by a third party servicer that tracks repayments and funds deposited into the US Bank account.



In re: Dowling College  
Schedule of Cash Receipts and Disbursements

MOR-1  
CASE NO. 16-75545 (REG)  
REPORTING PERIOD: SEPTEMBER 30, 2017

				CURRENT PERIOD	CUMULATIVE FILING TO DATE
	Capital One-6182 (2)	US Bank -1467 (4)	Cash Activity occurring through UMB through Residential Sales (3)	ACTUAL	ACTUAL
<b>CASH BEGINNING OF PERIOD</b>	\$ 15,071	\$ 420,440	\$ -	\$ 26,341,393	\$ 1,045,272
<b>RECEIPTS</b>					
Cash Receipts				55,245	726,681
Interest Income				4,127	5,647
Perkins Loan Repayments and charges		8,465		8,465	149,674
Net Transfers From/(To) Accounts				(0)	(0)
DIP Funding				724,934	5,963,045
Proceeds from sale of real estate			913,398	1,113,398	32,088,666
Proceeds from sale of other assets				800,850	890,850
Receipt/return of security deposits from tenants	(10,196)			(10,196)	(33,470)
Voided checks				-	7,136
Other				-	1,351,489
<b>Total Receipts</b>	\$ (10,196)	\$ 8,465	\$ 913,398	\$ 2,696,823	\$ 41,149,716
<b>DISBURSEMENTS</b>					
Payroll & Benefits				45,458	510,180
Telephone and cable				10,365	122,918
Outside Services				2,315	73,874
Landscaping & Snow Removal				8,940	113,533
Utilities				51,353	618,234
Security				31,835	696,160
Fire & Safety				10,503	84,144
Repairs & Maintenance				23,320	238,319
Insurance				-	313,790
Chemical Removal				-	41,501
Waste Removal				3,540	20,737
Sewage Treatment				2,621	35,631
Property Taxes				-	164,271
Permits & licenses				-	1,094
Payroll Processing				181	10,148
Union Benefits				378	4,901
Computer expense				5,734	44,308
Office Supplies				-	2,713
Finance Fees				-	134,000
Debt Paydowns			913,398	913,398	7,583,491
Retained Professionals				293,309	1,324,139
Claims Noticing Agent				3,674	182,672
Interim Management-CRO				138,520	904,267
Bank Charges				-	1,174
Moving, Storage and destruction costs				127,192	156,564
Other				4,385	20,672
Return of Tenant security deposits				-	23,437
Receivable collection costs				-	2,496
Real estate cost of sales				-	1,351,462
Litigation				7,500	7,500
US Trustee Fees				-	28,275
Other Bankruptcy Related Charges				-	24,686
<b>Total Disbursements</b>	\$ -	\$ -	\$ 913,398	\$ 1,684,523	\$ 14,841,294
Net Cash Flow	\$ (10,196)	\$ 8,465	\$ -	\$ 1,012,301	\$ 26,308,423
<b>Cash - End Of Period<sup>(4)</sup></b>	\$ 4,875	\$ 428,905	\$ -	\$ 27,353,694	\$ 27,353,694

**In re: Dowling College  
Bank Reconciliations**

CASH AND MARKETABLE SECURITIES									
	Signature - Operating - 5448	Signature - TL A-5456	Signature-TL B-5464	Signature - TL C-5472	Signature - TL D- 5480	Capital One-6182 (2)	Signature-Flex Spending Acct- 3912		
Balance Per Bank	\$ 958,279	\$ 19,883	\$ 20,343	\$ 8,616	\$ 194,945	\$ 4,875	\$ 16,157		
Deposits in Transit	-	-	-	-	-				
Outstanding Checks and Charges	(76,662)								
Other (List)	-	-	-	-	-				
Balance per Books	\$ 881,617	\$ 19,883	\$ 20,343	\$ 8,616	\$ 194,945	\$ 4,875	\$ 16,157		

*See Notes on MOR-1*

**In re: Dowling College**  
**Bank Reconciliations**

	Signature - Student Activity Acct - 3947	Signature-Sewage Treatment Replacement Acct- 3920	Signature-Sewage Treatment Reserve Acct - 3939	Signature-Real Estate Proceeds Account - 3826	Signature-Class II - 2006 Bonds Reserve - 5093	Signature - Class IV 2015 Bonds Reserve - 5107	US Bank -1467 (4)	Total
Balance Per Bank	\$ 368,199	\$ 60,560	\$ 60,516	25,089,073	\$ -	\$ 200,003	\$ 428,905	\$ 27,430,355
Deposits in Transit								\$ -
Outstanding Checks and Charges								\$ (76,662)
Other (List)								\$ -
Balance per Books	\$ 368,199	\$ 60,560	\$ 60,516	\$ 25,089,073	\$ -	\$ 200,003	\$ 428,905	\$ 27,353,694

*See Notes on MOR-1*



MOR 2

In re: Dowling College

Case No. 16-75545 (REG)  
Reporting Period: 9/1/17 to 9/30/17

**STATEMENT OF OPERATIONS**  
(Income Statement)  
**UNAUDITED**

	<u>September 2017</u>	<u>CUMULATIVE FILING TO DATE</u>
<u>Income</u>		
Rental Income	\$ 15,038	\$ 593,599
Charges on Student billing & Other Income	2,292	10,127
Total Income	<u>17,330</u>	<u>603,726</u>
<u>Expenses:</u>		
Gross Payroll	15,378	475,417
Bank Charges	88	1,943
Brookhaven Dorm Maintenance	972	63,395
Employee Benefits	-	(591)
Environmental - Phase I	-	2,500
Fire & Safety Maintenance	-	73,439
Licenses & Permits	-	1,154
Payroll Tax Expense	2,477	37,690
Real Estate Taxes	7,166	246,928
Repair & Maintenance	3,516	162,410
Security	18,904	750,708
Sewage Treatment	2,621	34,974
Telephone & Cable	1,895	84,931
Union Dues	-	4,065
Office Supplies	771	4,091
Computer Supplies & expense	6,143	45,001
Electric/Gas	84,770	624,134
Fuel Oil	4	14,902
Water	364	11,939
Insurance Expense	-	293,203
Waste Removal	3,540	20,957
Snow Removal	-	66,505
Grounds Maintenance	5,820	47,028
Chemical Waste Removal	-	39,001
Payroll Processing	-	10,030
Moving, Storage & disposal	130,061	156,899
Taxes & Licenses	924	2,453
Misc. Expense	492	5,435
Outside services	-	54,969
Bad Debt Expense	-	31,700
Temporary Help	1,764	34,964
Total Expense	<u>287,671</u>	<u>3,402,171</u>
Net Ordinary Income	(270,340)	(2,798,445)
<u>Other Income:</u>		
Gain on Sale of Resid. Houses	1,108,599	5,880,808
Gain on Sale of Oakdale Campus		26,100,000
Cost on Sale of real estate-non residential	-	(1,122,868)
Gain on Sale of Vacant Land		25,000
Gain on Sale of Other Assets	800,850	890,850
Interest & Dividends Earned	4,273	12,138
Change in Unrealized Gain/Loss	-	67,383
Miscellaneous Income	22,575	1,355,975
Total Other Income	<u>1,936,297</u>	<u>33,209,286</u>

MOR 2

In re: Dowling College

Case No. 16-75545 (REG)  
Reporting Period: 9/1/17 to 9/30/17

**STATEMENT OF OPERATIONS**  
(Income Statement)  
**UNAUDITED**

	<u>September 2017</u>	<u>CUMULATIVE FILING TO DATE</u>
<u>Other Expense</u>		
Professional Fees - Chapter 11	157,593	1,879,215
Claims Noticing Agent	4,617	205,327
Bankruptcy Advertising Costs	-	24,686
US Trustee Fees	-	28,275
Site Planner Consulting expense	-	74,182
Financing Fees	-	120,058
Litigation Expense-Mediator	-	11,771
Bond Agent Administration expense	-	25,171
Interim Management-CRO	89,628	1,015,744
Total Other Expense	<u>251,839</u>	<u>3,384,427</u>
Net Other Income	<u>1,684,459</u>	<u>29,824,859</u>
<b>Net Income</b>	<b><u>\$ 1,414,118</u></b>	<b><u>\$ 27,026,413</u></b>

See Notes to Financial Statements.

MOR 3

In re: Dowling College

Case No. 16-75545 (REG)  
Reporting Period: 9/1/17 to 9/30/17

**BALANCE SHEET**  
**UNAUDITED**

	<u>Current Month</u>	<u>As of Filing Date</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 27,354,040	\$ 1,045,272
Rent Receivable	57,675	64,105
Escrow deposits related to real estate sales	126,563	-
Accounts Receivable-Other	165,907	165,907
Pledges Receivable	1,798,341	1,798,341
Prepaid Expense	628,819	753,091
Prepaid Retainers	48,520	258,659
Student Receivables-net of allowance	723,200	848,807
Total Current Assets	30,903,065	4,934,183
Plant assets, net	48,715,407	49,102,183
<b><u>Other Assets</u></b>		
Closing Costs - Bonds	2,279,438	2,279,438
Perkins Loans Receivable	1,868,362	1,962,610
Investments	5,860,511	5,789,365
Deposits	36,500	36,500
Total Other Assets	10,044,810	10,067,913
Total Assets	<b>\$ 89,663,282</b>	<b>\$ 64,104,279</b>
<b><u>LIABILITIES &amp; EQUITY</u></b>		
<b><u>Liabilities - Not Subject To Compromise</u></b>		
Accounts Payable	\$ 70,047	\$ -
Accrued Expenses-other	351	-
Accrued Professional Fees	512,705	-
Other current liabilities	40,000	-
DIP-Term Loan A	1,819,586	-
DiP-Term Loan B	349,862	-
DIP-Term Loan C	317,407	-
DIP - Term Loan D-Admin	3,476,190	-
Total DIP Financing- Post petition loans	5,963,045	-
Total Liabilities-Not Subject to Comp	6,586,148	-
<b><u>Liabilities-Subject to Compromise</u></b>		
Accounts Payable	3,996,344	3,909,307
Accrued Expenses	5,083,140	5,083,140
Other payables	91,000	91,000
Deferred Rental Income	80,491	80,491
Tenant Security Deposit Payable	-	62,308
Perkins A/P	1,774,714	1,774,874
Total Bonds Payable-Subject to Compromise	45,826,201	53,853,537
Total Liabilities subject to compromise	56,851,890	64,854,657
Total Liabilities	63,438,038	64,854,657
Fund Balance	26,225,244	(750,379)
Total Liabilities and Equity	<b>\$ 89,663,282</b>	<b>\$ 64,104,279</b>

See Notes to Financial Statements.

MOR-4

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 9/1/17 to 9/30/17

## STATUS OF POSTPETITION TAXES

Federal	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Withholding	No payroll tax liability. Gross payroll amount is remitted to the Payroll Service Company for the payment to the					
FICA-Employee	appropriate taxing authority.					
FICA-Employer						
Unemployment						
Income						\$ -
Other						-
Total Federal Taxes	\$ -	\$ -	\$ -			\$ -
<b>State and Local</b>						
Withholding	See Note Above					
Sales & Use						\$ -
State Income Tax						-
Excise						-
Unemployment						-
Real & Personal Property						-
Other						-
Total State and Local	-	-	-			-
<b>Total Taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>			<b>\$ -</b>

## SUMMARY OF UNPAID POSTPETITION DEBTS (1)

Attach aged listing of accounts payable.

Number of Days Past Due	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable (2)	\$ 70,047					\$ 70,047
Wages Payable						-
Taxes Payable						-
Rent/Leases - Building						-
Rent/Leases - Equipment						-
Secured Debt/Adequate Protection Payments	5,963,045					5,963,045
Professional Fees (3)	512,705					512,705
Amounts due to Insiders*						-
Other - Accruals and deposits payable	40,351					40,351
<b>Total Postpetition Debts</b>	<b>\$ 6,586,148</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,586,148</b>

(1) Excludes liabilities recorded for deferred income or other accounting recognition adjustments.

(2) Includes consultants, such as site planner and claims servicer retained through bankruptcy court and fees subject to court order payment procedures.

(3) Subject to court order payment procedures.

\* "Insider" is defined in 11 U.S.C. Section 101(31).



MOR-5

In re: Dowling College

Case No. 16-75545 (REG)

Reporting Period: 9/1/17 to 9/30/17

## ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation		
Net Accounts Receivable at the beginning of the reporting period		\$ 730,867
+ Amounts billed during the period		
- Amounts collected during the period		\$ 7,667
- Allowances, Reserves & Write-Offs		
Net Accounts Receivable at the end of the reporting period		\$ 723,200
Accounts Receivable Aging (Gross)		
0 - 30 days old		
31 - 60 days old		
61 - 90 days old		
91+ days old		\$ 723,200
Adjustments & Write-Offs		
Total Accounts Receivable (Gross)		
- Unapplied Cash		
- Bad Debt Reserve		\$ -
- Sales Return Reserve		
- Sequester Reserve		
- Contractual Allowances		
+ Other AR Activity		
Accounts Receivable (Net)		\$ 723,200

**Note:** The Accounts Receivable includes many small balances due from former students dating back to when the College was operating. The Debtor continues to evaluate these receivables and determine the net realizability of such accounts.

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below. (1), (2)	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below. (1)	X	
3. Have all post petition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s).	X	

(1) During the reporting period, the Debtor sold 3 residential properties in Oakdale, New York for net proceeds of approximately \$1,113,000.. Pursuant to Court Order, \$913,000 of the net proceeds received on the residential property sales during this period were paid directly to the secured lender which held liens on those properties. Pursuant to a settlement agreement with the unsecured creditors, \$200,000 was paid to the Debtor and maintained in a separate reserve account.